

Telecom Plus

A growth company, with a 5% yield

Telecom Plus trades as Utility Warehouse (UW). It sells energy, broadband, mobile and selected insurance products to consumers who value their time and money and appreciate the simplicity and service. Aware of their own inertia, such consumers are wary of special offers that may ultimately cost them more. UW targets these low-churn customers through a small army of self-employed partners, keeping costs and overheads low. Energy is the most important product, being the biggest cost for most households and the most easily switched. For several years the market was disrupted by a proliferation of undercapitalised operators with unsustainable business models. After the invasion of Ukraine and the leap in energy prices, these operators folded, restoring price rationality. Customer growth has returned to its previous trend rate of double digits.

Hardwood business, growing at softwood rates

The 29 April full year trading statement was reassuringly predictable. Underlying customer growth was 12.5% and FY25 guidance for adjusted PBT of £124–128m was reiterated. Once again, management expressed confidence in its medium-term target of doubling customers to two million. Given its unique proposition and strong track record, the visibility of growth is high.

Potential for acceleration

An additional 25k (2.5% of total customers) fixed-line/broadband customers were acquired from TalkTalk in H2. Broadband is the stickiest of utilities, and the trial is to cross-sell energy and other products. The results may take a year to assess fully but, if successful, TalkTalk has many more customers on its consumer book. The acquisition is low risk as it is expected to break even without cross-selling.

The second development is in the Community channel. The motivation that exists to boost the income of charities, schools and similar organisations while benefiting from UW's proposition has not been exploited effectively in the past. The process and systems have been too clunky. In April, UW launched 'Connectors', where the UW partner and the good cause split the sign-on bonus.

Valuation modest given visibility of growth

EPS growth is forecast by consensus to grow by 9% this year, with a yield of 5.0%. There is a clear line of sight to grow customer numbers from 1.1 million to two million over time and potential for an acceleration. The shares have benefited recently from the company's domestic defensive status.

Consensus estimates							
Year end	Revenue (£m)	EBIT (£m)	EPS (£)	DPS (£)	EV/sales (x)	P/E (x)	Yield (%)
3/23	2,577.0	87.5	0.97	0.80	0.6	19.6	4.2
3/24	2,099.0	107.5	1.09	0.83	0.8	17.4	4.4
3/25e	1,819.0	126.0	1.18	0.94	0.9	16.1	4.9
3/26e	1,981.0	138.3	1.29	1.04	0.8	14.7	5.5

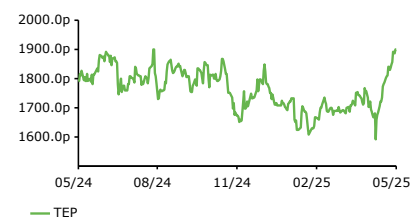
Source: Company data, LSEG Data & Analytics

Utilities

6 May 2025

Price 1,900.00p
Market cap £1,514m

Share price performance



Share details

Code TEP
 Listing LSE
 Shares in issue 79.7m
 Net cash/(debt) at 30 September 2024 £(115.0)m

Business description

Telecom Plus, which trades as Utility Warehouse, is the UK's only multi-utility provider (telephony, broadband, gas, electricity and insurance services). Energy is the company's most important driver.

Bull points

- Unique proposition. Cross-selling and low churn give a pricing advantage.
- Visible, long-term growth underpinned by price and a growing number of partners.
- Opportunities to accelerate growth through the TalkTalk trial and improving the community channel proposition.

Bear points

- The energy supply market has been disorderly.
- Lower energy bills may make it harder to convert customers.
- Real wage growth might suppress growth in the number of partners.

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